

# University of Exeter Business School in Cornwall

## Cornwall Marine and Maritime Growth & Innovation Report 2017-18

### [Executive summary](#)

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Cornwall Marine Network



## 1 A New Economic Narrative

Based on our detailed research, carried out between June 2017 and January 2018, the marine and maritime sector in Cornwall has more than doubled in size during the last 10 years (adjusted for inflation). As such the sector now contributes over £1.1 Billion to the Cornwall and Isles of Scilly economy, demonstrating the high economic importance of the sector.

Significantly, the number of marine businesses has been estimated to have grown from 650 to 855 (up 31%) over the period, with nearly 90% of these new businesses being SMEs, micro organisations and unregistered traders. The presence of large companies has almost doubled (mainly as a result of mergers and acquisitions from national and international businesses investing in Cornwall) but, according to our analysis, still only represents less than 1% of the total number of companies.

Accompanying this is a steady growth in more 'commercial' marine activity, beginning to balance against the previous predominance of leisure marine activities. Two of the key catalysts for this, according to our survey respondents, are the increased support offered by the region's trade bodies, membership organisations and business support initiatives, and the growing volume of collaborations with local universities and other higher education providers.

However, our research also suggest the sector faces some ongoing challenges (mainly in terms of the skills agenda and access to waterfront premises) and new issues related to the emergence of new technologies and how companies might capitalise on these as opportunities.

## 2 Our Key Findings

- The current contribution of the Cornish marine sector to the local economy is estimated to be £1.1bn, an increase from the £500m identified in 2008<sup>1</sup> by our project partners and shown for comparison purposes in Annex 1. This compares with a 2014 value for the UK marine sector of £36.2bn, and a 2016 value for UK leisure marine of £6.2bn.
- The number of active marine businesses identified in the sector has increased since 2008 from an estimated 650 to an estimated 855. Of this increase, non-SMEs (sole traders and non-registered companies) are estimated to be up by 155% and SMEs & Micro-companies up by 31%. Also the number of businesses considered to be larger than the SME category is up to a total of 8: just less than 1% of the overall total<sup>2</sup>. Thus our figures clearly demonstrate the importance of SMEs and micro businesses to the Cornish economy, as well as the contribution made by sole traders and non-registered companies.
- Levels of innovation and entrepreneurship are also considered to be high: over two-thirds (67%) of respondents surveyed indicated that new areas of business are 'very' or 'quite' important, and three-quarters (75%) of respondents suggested they are actively seeking to develop new businesses to capture future business opportunities.
- Companies also know that they need to diversify to remain competitive: 55% of survey respondents cover a range of Marine sub-sectors across their business activities. Many also provide services outside Marine in areas such as Engineering and Construction.

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<sup>1</sup> Based on a comparison with figures collected in 2007-8 and presented in Annex 1.

<sup>2</sup> Our research acknowledges that many Large and Multi-National companies will return their activity to a number of sectors and across many different geographic boundaries. Our methodology has therefore been informed by the guidance provided by British Marine to attempt to clarify the respective activity in Cornwall and in the Marine sector.

- The value of complementary and transferable skills is very important: ‘companion’ sub-sectors<sup>3</sup> indicate the close relationship between skillsets. These linkages point the way towards opportunities for business diversification – and a direction of travel for the sector as a whole.
- Demand for suitable and high quality workspace appears to hold back expansion and diversification: 40% of respondents felt better access to waterside premises would support future growth. Our respondents suggest planning and regulatory limitations should be lifted and infrastructure improved with a range of mixed-use options developed.
- Staffing issues are a concern for companies, many with an ageing workforce; those in more peripheral locations in particular have difficulties in retaining skilled staff due to travel and access issues. Although they recognise a need for training time is at a premium for seasonal businesses. Identifying a time when training can be undertaken when seasonal staff are present, but not working to capacity, is difficult.
- Uncertainties around Brexit are widespread: most companies report issues with sub-contracting and export activities with Europe. Forecasting for others is vulnerable, essentially due to volatile currency fluctuations.

### 3 Research Analysis

The research methodology has drawn on mixed quantitative and qualitative approaches. This has permitted triangulation across various data sources and leads us to consider that the findings are robust, congruent and, most importantly, useful. These sources include:

- *Quantitative analysis* – review and adaptation of UK Government datasets and private datasets (external and internal to Cornwall Marine Network)
- *Qualitative analysis* – literature review, online survey development and implementation, interview programme (telephone/face to face)

#### 3.1 Comparative dataset analysis

Our size analysis<sup>4</sup> suggests the proportion of large companies in the Cornwall Marine and Maritime sectors is currently just less than 1%. Of the SME population, the larger medium-size business (between £6m and £50m annual turnover) occupy approximately 3% of the total, and the smaller medium-size businesses (with turnover between £1 and £6m) just over 9%. Small business (with turnover of between £200k and £1m) represent 12% of the total with micro-businesses (with turnover under 200k) representing 33%. The remainder (40%) are therefore businesses in our dataset that are not registered with Companies House, and are either very small micros, sole-traders or self-employed, but are a critical sub-set within the overall sector. A graphic representation can be seen in Figure 1.

Our Geographic analyses suggest Marine businesses are now more concentrated in the western half of Cornwall. However, companies are not as strongly clustered around major harbours, as ten years ago. Company distribution shows a linear pattern along the road infrastructure ‘spine’ in mid Cornwall. These trends may also reflect historical patterns of European funding investment. A summary of these distributions and locations are shown in Figure 2.

Our sub-sector analyses suggests that:

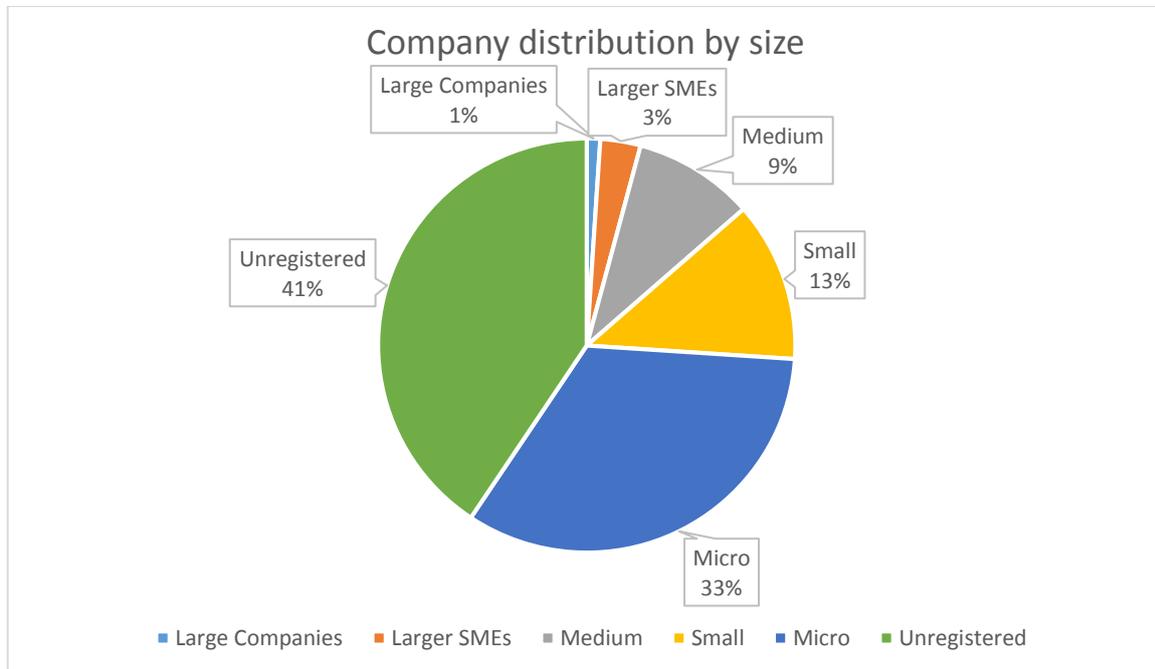
- Micro- and small SMEs are the most diverse in terms of their sector/sub-sector ‘footprints’.

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<sup>3</sup> Such as construction or engineering, with manufacturing and fabrication; renewables or technology with subsea; boatbuilding with shipbuilding; boatyards with ports and harbours

<sup>4</sup> Based on 855 businesses reviewed.

- Sub-sector ‘footprints’ do vary according to annual turnover, with larger companies operating across a range of sectors and sub-sectors and in general more specialism and specialist services being offered by the smaller companies.
- The sub-sectors of “boat repair” and “business support activities” are not governed by company size.



**Figure 1 – Company distribution by Size (2017-18)**

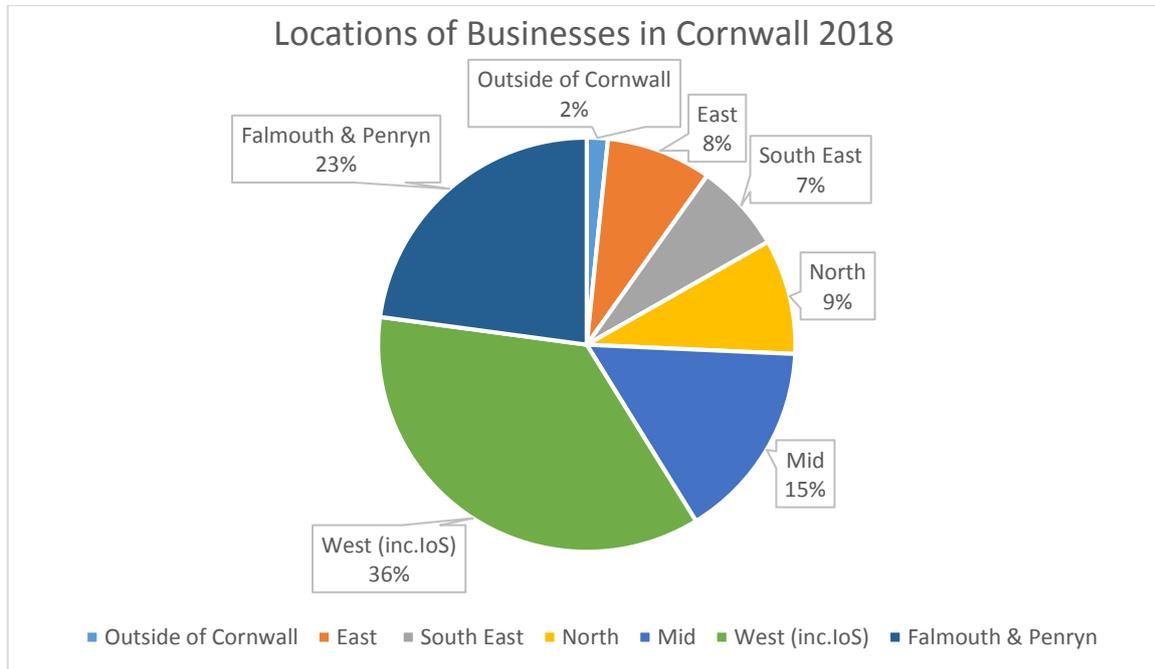
### 3.2 Survey and interview analysis

Our analysis<sup>5</sup> of our more detailed online and telephone/interview surveys suggested:

- **Business Age:** Companies were generally well-established, with more than 80% operating for more than five years and nearly 70% over ten. They represented an outward-facing group of businesses with a desire and propensity to grow.
- **Workforce Make-up**
  - The Marine industry workforce in Cornwall is mainly British, with some 22% of respondents reliant on European workers, but who believe this source of skilled labour is essential to their business.
  - Part-time staff are seen as important. Companies valued their part-time staff as being as important as their full-time staff. Many companies also utilised outside contractors.
- **Business Premises:** A wide range of types of premises are occupied by businesses; waterside locations with different types of buildings have been flexibly adapted for business needs. A quarter of respondents indicated that the availability of suitable and high quality workspace was a constraint on growth and that more suitable premises would help.
- **Supply Chain:** The Marine industry supply chain is dynamic and offers the opportunity for businesses to move between roles and diversify into other areas. Supply chains are important both within and beyond the Marine industry in Cornwall, as they help to identify potential partnerships and areas for future development: Approximately 60% of companies report that

<sup>5</sup> Based on 72 responses to our online and tele-interview surveys

informal business contacts give them new ideas for business growth. 50% of the sample are actively exporting, with turnover and size seen as being no barrier (from micro-organisations upwards).



**Figure 2 – Locations of Businesses in Cornwall (2017-18)**

- **Identified Needs:** When businesses were asked what type of help they would need to grow, the six highest priorities identified were:
  - Assistance to improve their **marketing and communication**, such as advice with social media and online tools to support marketing;
  - Support to **develop their brand identity and visibility in the marketplace** by coordinating approaches and collaborating to **promote Cornwall**;
  - Dedicated sub-sector trade associations, maritime events and **professional networks, as external channels are highly valued**;
  - **Research and development support**, including market research and collaboration with academia;
  - Access to high quality infrastructure such as **suitable workspace with waterside access** and faster internet connections;
  - **Skills and workforce development** to build market share and ‘future-proof’ new business areas, particularly access to bespoke and niche training opportunities.
- **Innovation capabilities:** Approximately 85% of respondents are actively seeking to develop new business areas, systems or markets. 40% understand the importance of skills and workforce development and 33% are open to help with identifying suitable opportunities, including greater collaboration with partners – the ‘building blocks’ for innovation.

## 4 Conclusions

The research suggests that the Maritime and Marine sector in Cornwall and the Isles of Scilly is vibrant, multi-faceted and importantly, a fast-growing sector. Its contributions to the Cornish GVA

are high value, continue to grow at pace and are probably underestimated (given the lack of updates to the socio-economic analysis of the sector in the past decade).

As a result the economic value of the marine and maritime sector of Cornwall has risen substantially, despite a backdrop of a recessive economy following the economic crisis in 2008 and a public sector policy of 'austerity'. Significant opportunities for the future of the sector, as identified by the companies responding to our survey, are also very positive with the emergence of the Marine Technology and the Marine Renewable Energy sub-sector and other new emerging sub-sectors such as Marine Autonomous Vehicles.

The key challenge for the Maritime and Marine Strategy for Cornwall will be to balance the articulated needs of this important industry, identified as one of the Cornwall & Isles of Scilly LEP's 2018 ten<sup>6</sup> opportunity sectors, with other sectors – both innovative and traditional – to ensure economic development brings benefits to Cornwall at all levels through the proposed UK Shared Prosperity Fund (as we move into a post-BREXIT landscape). Any new strategies for growth will need to take account of the significant growth that has been achieved in the sector, whilst helping to identify and foster linkages and collaboration across other economic groupings and should pay attention to the extensive support provision already in place to support businesses, building on this capability.

Cornish Marine and Maritime companies appear to have an appetite for innovation, and an entrepreneurial culture in place, and this should be capitalised on in any new economic initiatives brought forward to serve the region.

## 5 Recommendations for future research

To extend the reach and significance of this research:

- Further desk and field research should be undertaken, to identify more confidently the actual economic contributions of Marine micro and small enterprises, and percentages of Marine activities within other sectors. This will resolve issues in reporting large and MNE company activity.
- Detailed supply chain analysis could be completed, to learn more about the opportunities for diversification presented by supplier and client roles within the Cornish Marine industry.
- By expanding the study methodology into Fisheries, Aquaculture and Manufacturing, to unify findings and get a more holistic perspective of the relationship between these industries – and other industries in time
- Focused research into existing job structures and salary levels should be undertaken, to predict and manage more detailed staffing projections for the Marine industry in the future
- Socio-economic and geographical cluster-based study into the top Marine centres across Cornwall, to understand better how the industry interacts with local communities and their economies

## 6 Acknowledgement

The project team are grateful to the funders the Economic & Social Research Council (ESRC) for funding this work through their Impact Acceleration Account scheme and to our project partners, Cornwall Marine Network and Cornwall Council. We would also like to thank British Marine and all

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<sup>6</sup> Cornwall and IoS Local Economic Partnership 2018. Ten Opportunities 2018. Truro: CloS LEP, 2017.

the Marine businesses, organisations and individuals that kindly contributed to and participated in the research project.

The overarching aims of the research were to:

- Determine quality/breadth of the Marine sector
- Understand the Marine industry’s Innovation capability and entrepreneurship
- Identify opportunities for diversification across the marine sector
- Establish if market opportunities / sector growth impact the physical business environment and social setting
- Inform future strategies and policies
- Inform local development action plans for SMEs to deliver increased levels of Innovation and economic competitiveness.

### **Annex 1**

During the period 2007-08 CMN conducted its own member survey of the levels and types of businesses within the Maritime and Marine industry in Cornwall. Although there is not an exact match, we can see the following trends in the Marine industry in Cornwall over the ten-year period 2007-08 to 2017-18:

<b>2007-8 survey – based on 106 responses</b>	<b>2017-18 – based on identified companies dataset and surveys</b>
650 companies; 3 non-SMEs 647 SMEs	855 companies; (+31.5%) 8 non-SMEs (+155%) 847 SMEs (+31%)
Sector turnover estimated £500,000,000	Sector turnover estimated £1,100,000,000 (+220%)
Workforce; 14,000 employed 1,100 volunteers	
Average Marine SME employed 9 staff and had turnover of £690k	452 Companies House registered SMEs provide an estimated average turnover of £381k each
60% of marine industry is leisure marine	Dataset analysis shows a shift towards commercial marine from leisure marine sub-sectors
92% of businesses based within 5 mile radius of six ports (Falmouth/Penryn, Penzance, Fowey/Par, Isles of Scilly, Padstow/Wadebridge, Torpoint/Millbrook)	More Marine businesses tend to be concentrated in the western half of Cornwall, with not as many in Falmouth/Penryn itself
85% staff male, 15% female	Women are more strongly represented in the Marine workforce across traditionally male sectors,
Biggest needs: skills, marketing and finance	The biggest needs of self-reporting businesses are: finance, marketing including collaborative trade show attendance, staff retention, skills development and practical job experience including Apprenticeships, and suitable workspace
Joint marketing with shared stands at trade shows were the most popular events to attend	Collaboration within the sector has grown – including with academia.